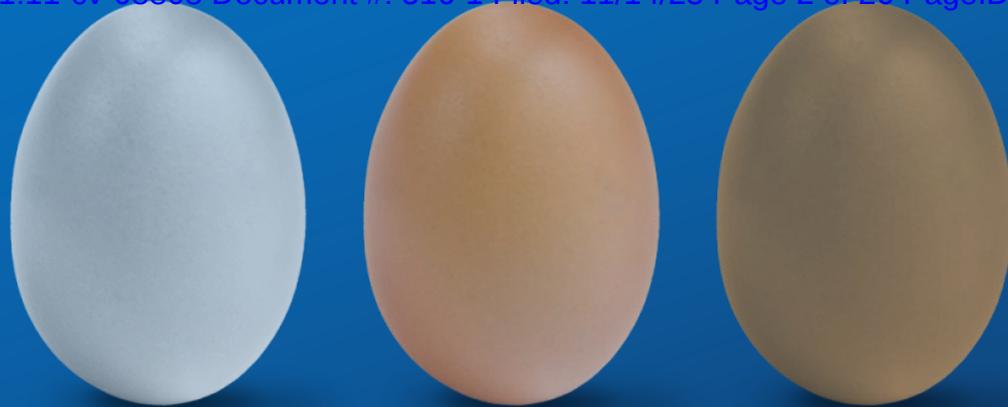


# ATTACHMENT A



# Dr. Jonathan Walker

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Cross Examination

# Summary Of Opinions

- 1 The conspiracy Plaintiffs alleged would be unlikely to reduce supply or raise prices
- 2 Production and pricing data indicate there was no effective conspiracy to reduce supply and raise prices
- 3 Dr. Baye's analysis is flawed and invalid
- 4 Plaintiffs have not demonstrated that egg product prices were higher than they should have been

# No Opinion Whether...

---

- Was there a conspiracy to restrain the supply of eggs & artificially increase egg prices?
  - No opinion
- Did any individual producer conspire to restrict egg supply to raise prices?
  - No opinion
- Did early slaughter, early molt, and hatch reduction programs reduce the supply of eggs and artificially inflated prices
  - No opinion

## No Opinion Whether...

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- Was the 100% rule in the UEP Certified Program created to restrict egg supply?
  - No opinion
- Was the backfilling ban added to the UEP Certified Program to restrict supply?
  - No opinion

# Built an Econometric Regression Model?



YES



NO

# No Limits On Expansion Or Growth

*UNITED EGG PRODUCERS  
ANIMAL HUSBANDRY  
GUIDELINES FOR*



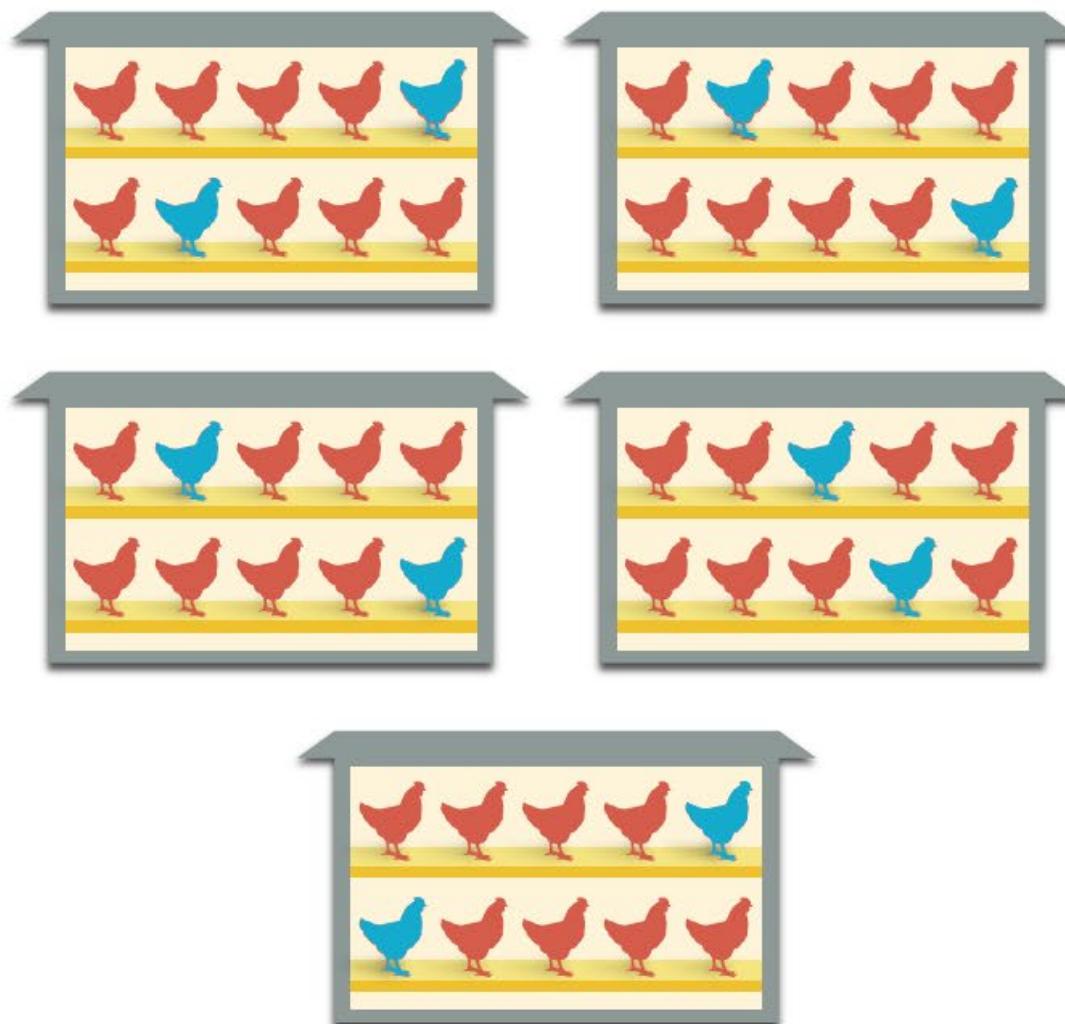
*U.S. EGG  
LAYING FLOCKS  
2002 EDITION*

FMI-000171  
D-0217-001

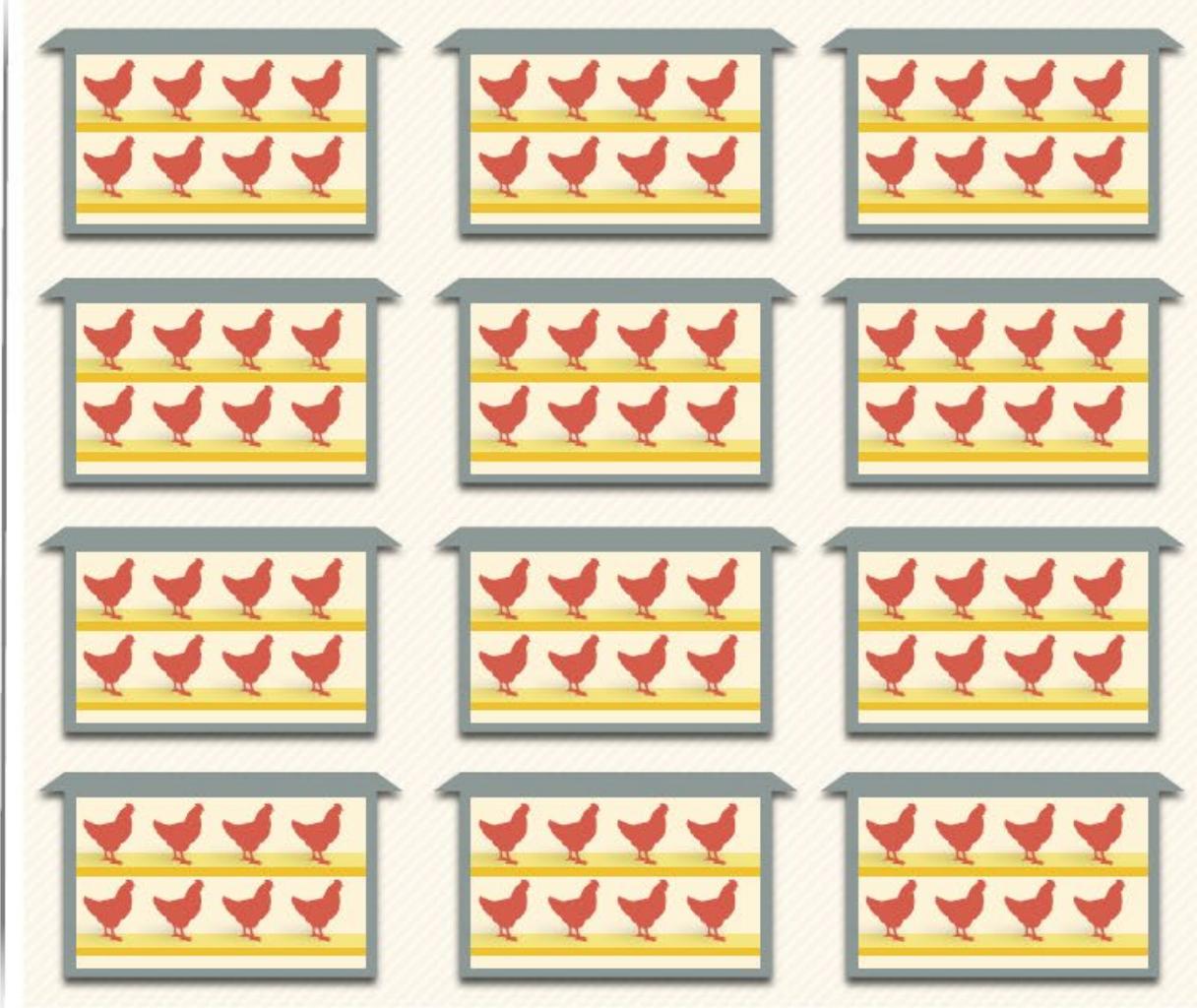
- ✖ **No limits on hens**
- ✖ **No limits on eggs**
- ✖ **No limits on cages**
- ✖ **No limits on houses**
- ✖ **No limits on farms**

# No Limits On Expansion, Hens Or Production

## PLAINTIFFS' THEORY:



## THE REALITY:



# Examples Of Expansion & Entry



+3.9M capacity  
from 2002-2012  
(excluding  
acquisitions)



*Cargill Kitchen Solutions*

Sponsored  
expansion to  
facilitate  
compliance with  
McDonald's  
animal welfare  
standards



Sponsors new  
entrants and  
expansion with  
purchase  
commitments



Started in 2000  
from zero



Expanded  
consistently

At least  
+8.3M capacity  
from 2002-2012  
(excluding  
acquisitions)



# Acquisitions

Ex. 0686 Pg. 0001

Fiscal Year	Seller	Location	Layers Acquired
1983	Egg City, Inc.	Arkansas	1,300,000
1990	Sunny Fresh Foods, Inc.		7,500,000
1991	Sunnyside Eggs, Inc.	North Carolina	1,000,000
1994	Wayne Dooling Farms	Ohio	1,500,000
1995	A & G Farms	Kentucky	1,000,000
1997	Sunbest Farms	Arkansas	600,000
1997	Southern Empire Egg Farm, Inc.	Georgia	1,200,000
1998	J & S Farms/Savannah Valley	Georgia	300,000
1999	Hudson Brothers, Inc.	Kentucky	1,200,000
2000	Smith Farms	Texas/Arkansas	3,300,000
2006	Hillandale	Florida/Alabama	5,900,000
2007	Green Forest Foods	Arkansas	1,000,000
2007	Benton County Foods	Arkansas	1,000,000
2008	Zephyr Egg	Florida	2,200,000
2008	Tampa Farm Service	Florida	4,000,000
2012	Pilgrim Egg	Texas	1,600,000
2013	Maxin Egg	Texas	3,200,000
Total			39,900,000



*- Nichols contract cage free  
400,000*

# Examples Of Expansion & Entry



+3.9M capacity  
from 2002-2012  
(excluding  
acquisitions)



*Cargill Kitchen Solutions*

Sponsored  
expansion to  
facilitate  
compliance with  
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Sponsors new  
entrants and  
expansion with  
purchase  
commitments



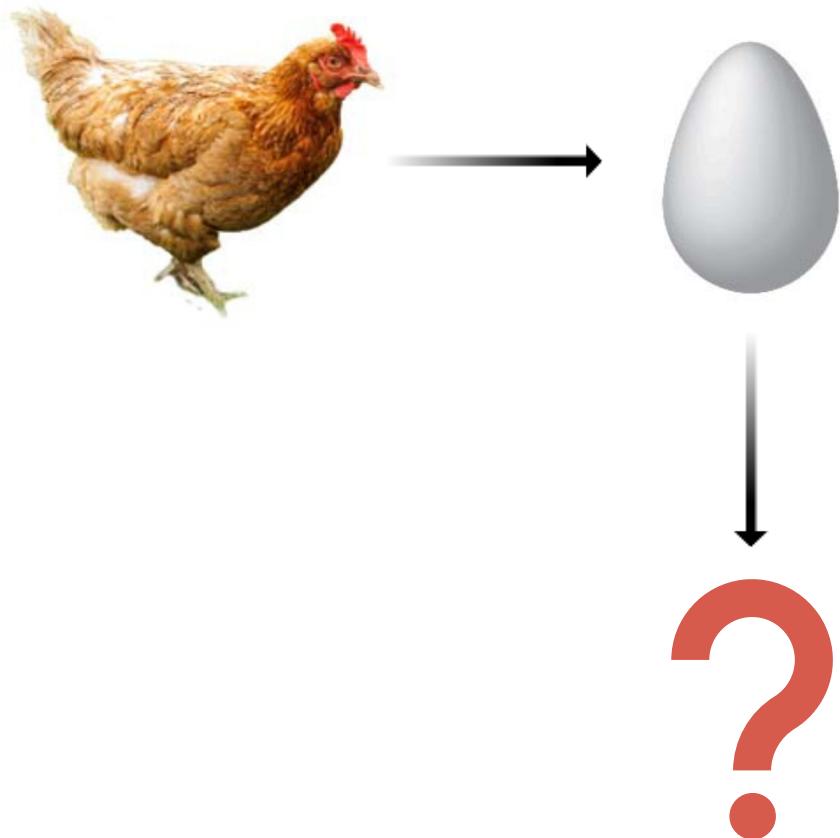
Started in 2000  
from zero



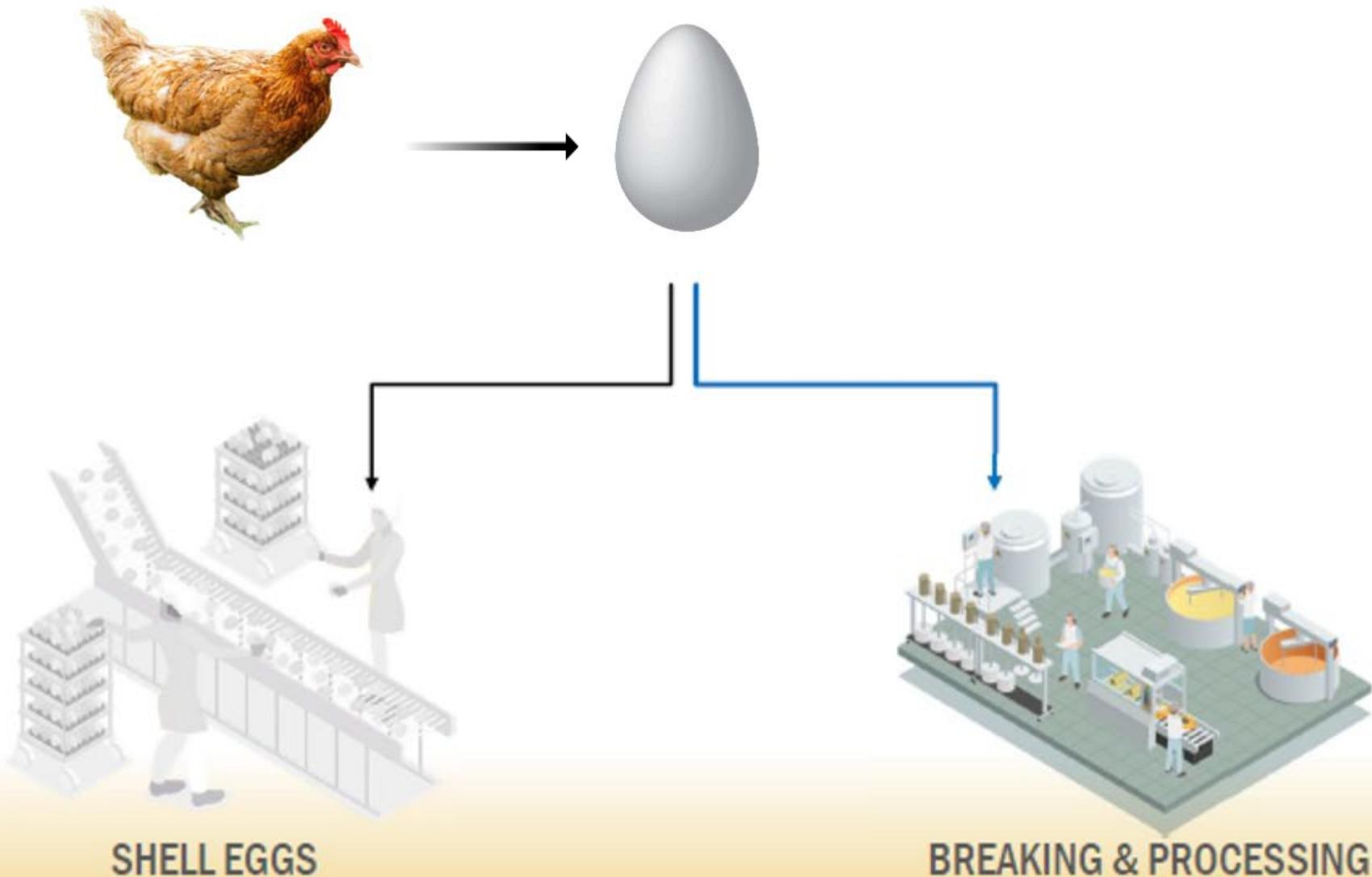
Expanded  
consistently

At least  
+8.3M capacity  
from 2002-2012  
(excluding  
acquisitions)

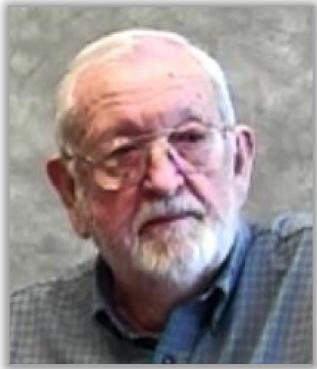
## Relevant Product Market



## Relevant Product Market



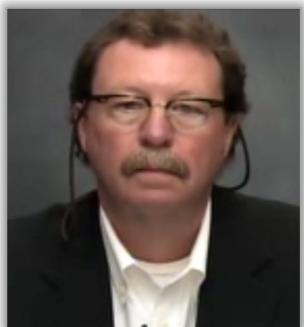
# Is an Egg an Egg?



“An egg is an egg is  
an egg!”



“An egg is an egg.”



“An egg is an egg.”



No opinion

# Fewer Eggs Produced Does Not Mean Fewer Eggs Going To Egg Products

## 300 Eggs Produced

**150**  Shell eggs

**50**  Exports

**100**  Egg products

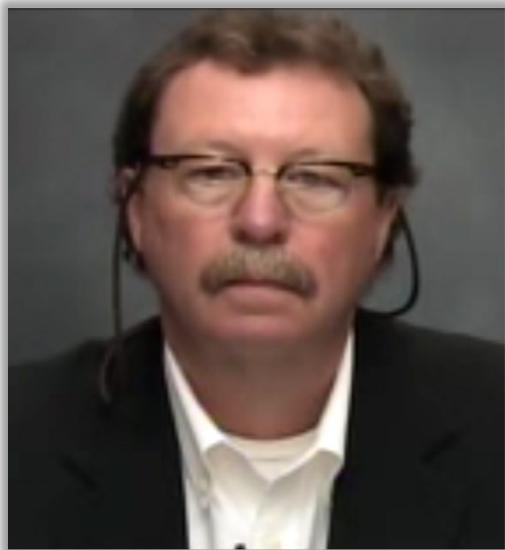
## 250 Eggs Produced

**125**  Shell eggs

**25**  Exports

**100**  Egg products

# Fewer Shell Eggs Means Higher Egg Product Prices



Q. And the fewer eggs in the U.S. market, the higher both shell eggs and egg products are on the Urner Barry system, correct?

A. Correct.

# Appropriate Benchmark Periods

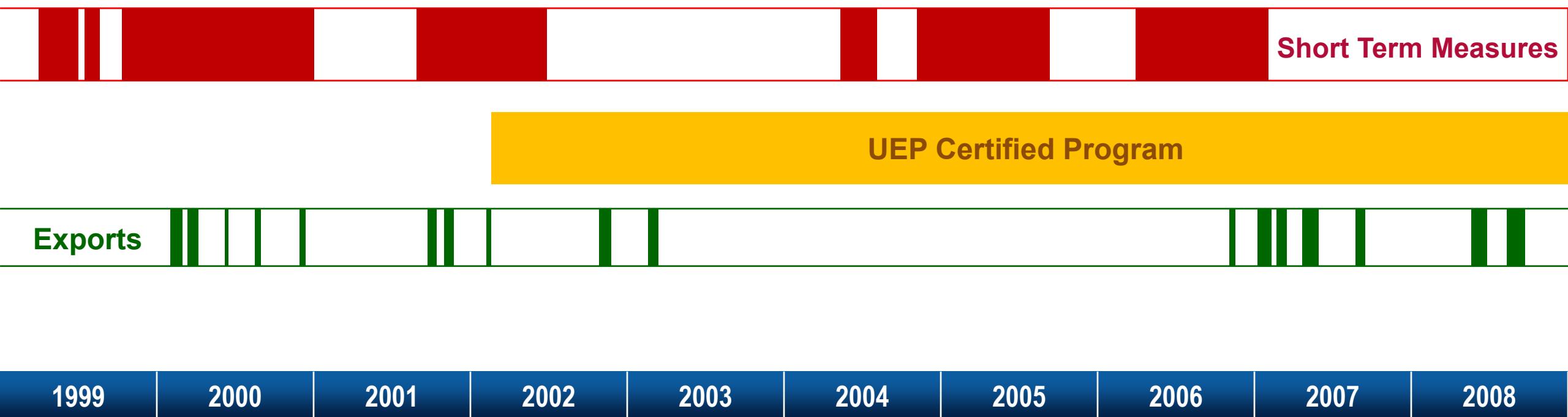


1990-2002, based on record evidence about the egg industry and UEP Certified Program

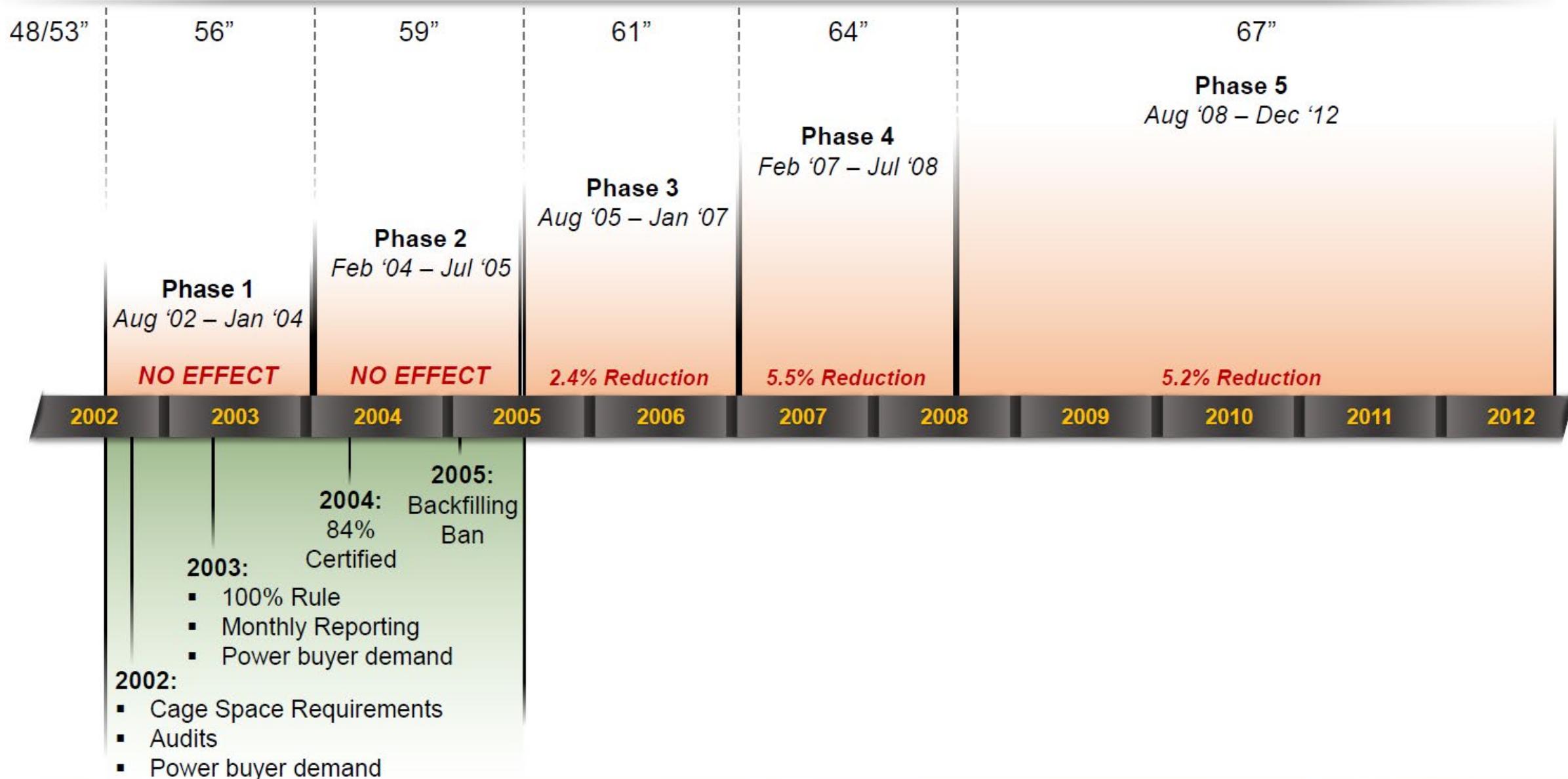


No opinion

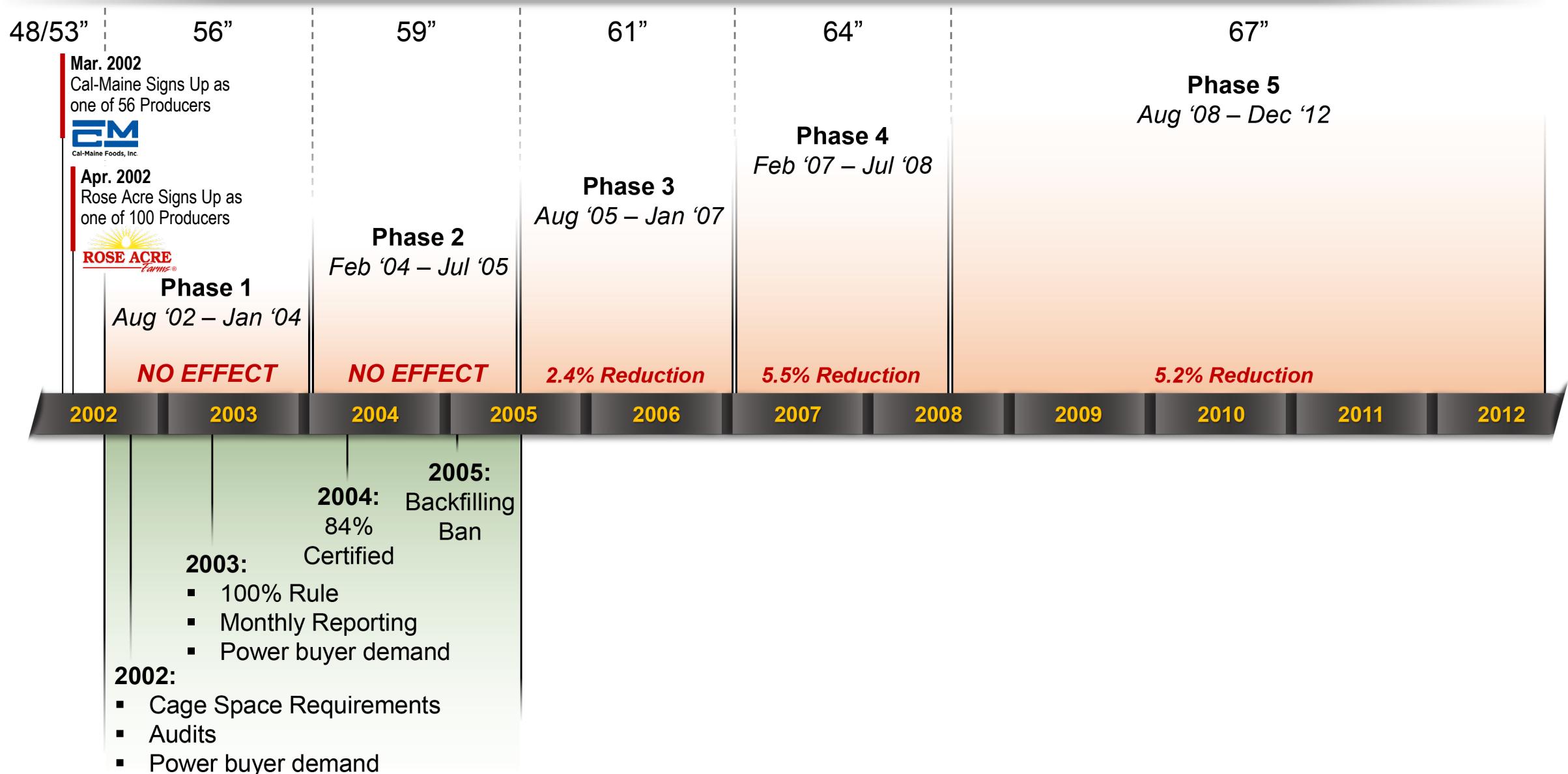
# Timeline of Supply Restrictions



# Dr. Baye's Egg Production Model Results



# Dr. Baye's Egg Production Model Results



# Summary Of Opinions

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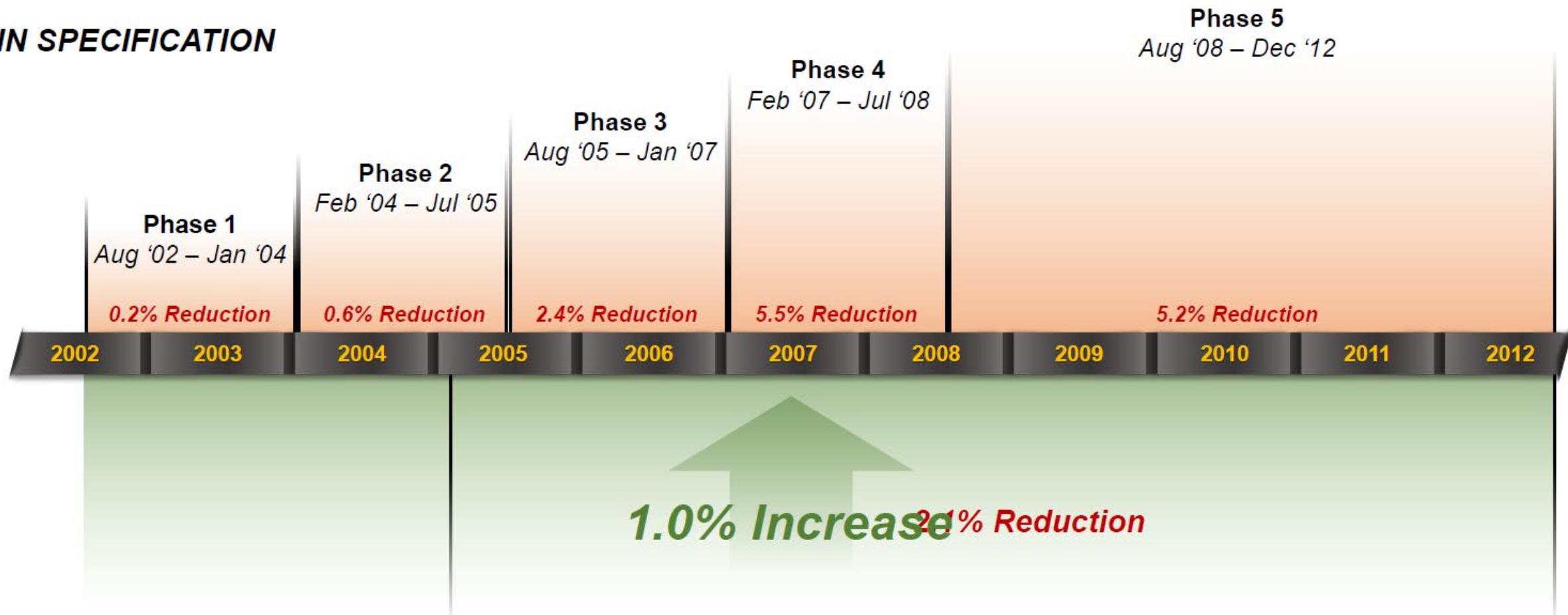
# Fragmented Industry



**66 Producers**  
have 1 million hens or more  
in 2004

# Dr. Baye's Egg Production Model Results

## MAIN SPECIFICATION



**SINGLE INDICATOR FOR  
ENTIRE PERIOD**

# Flock Size Increased



300M

290M

280M

270M

260M

250M

240M

280M

294M

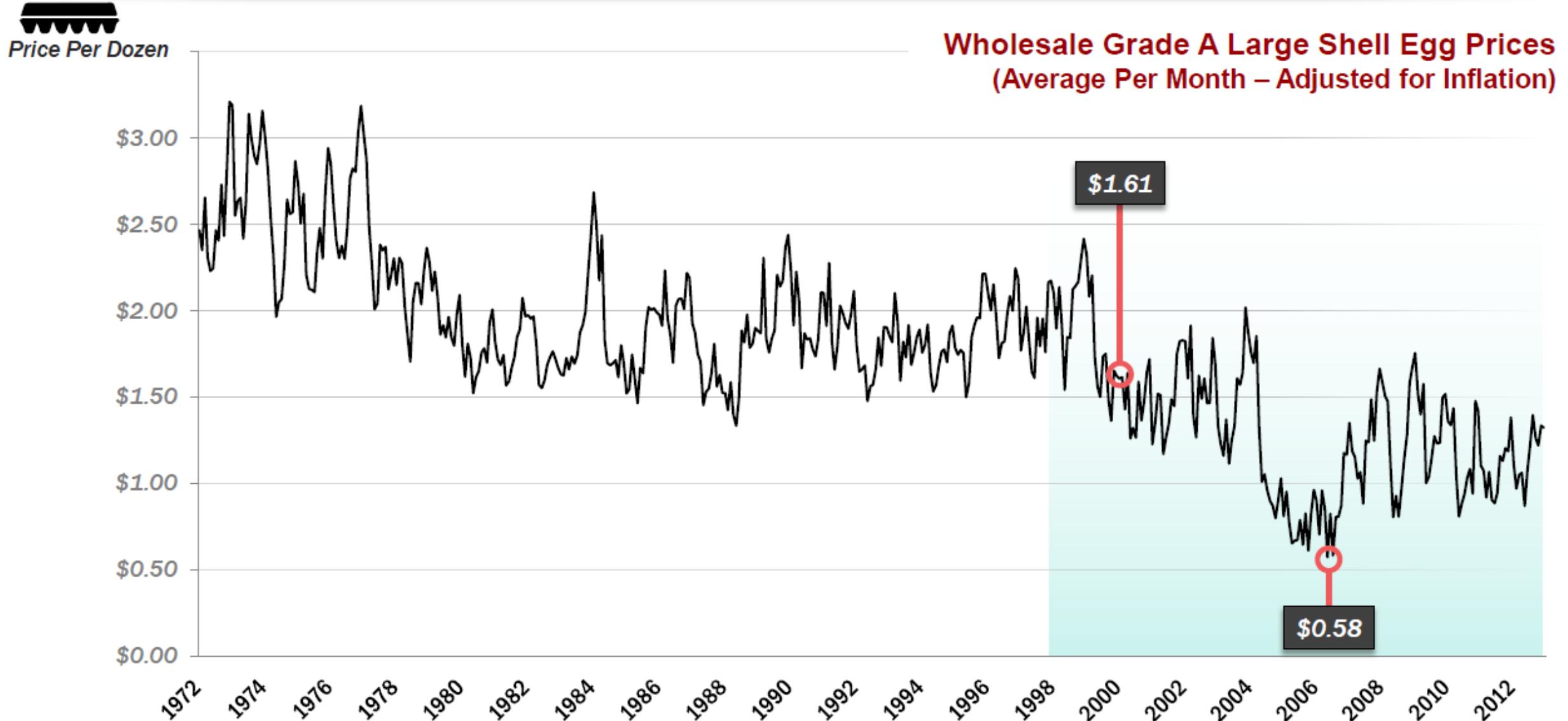
285M

271M

1999 - 2008:  
+20.48 Million Hens

'97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12

# Inflation-Adjusted Prices Were Low



# Inflation-Adjusted Prices Were Low



Price Per Dozen

